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SUBJECT: PHILIPPINES TAKES REACTIVE STANCE TOWARD APEC

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1. (SBU) Summary. The GRP views the APEC agenda positively. The GRP's overarching approach to the upcoming APEC meetings is to wait and see what other members put on the table and then react according to RP interests. With respect to WTO Doha Round issues, senior officials express hope for balanced language that reflects equally the interests of developing and developed nations in improving market access for both non-agricultural and agricultural goods. The RP strongly supports APEC's avian influenza (AI) initiative and is providing full political backing at the highest levels to prepare for a potential AI outbreak in the Philippines. The RP is also eager to work within APEC to address energy concerns and is looking for regional approaches to ensure greater energy security, stable prices and reduced dependence on oil imports.

GRP's Overall Strategy

2. (SBU) Ramon Kabitng, Director of the Bureau of International Trade Relations at the Department of Trade and Industry and Alternate APEC Senior Officials Meeting Leader, described the GRP's strategy at the APEC meetings to Econoff November 8 as "reactive rather than offensive." He said the government tends to wait and see what other members put on the table and then decide whether it is in the Philippines' general interest. Kabitng, who will be attending the entire week of APEC meetings, said the one issue the GRP expects to be more proactive in is technical assistance and capacity building. The GRP does not want to see funding used "to teach each other how to negotiate at the WTO," but would prefer APEC allow developing country members to access the money to build up their infrastructure.

WTO Doha Agenda

3. (SBU) Kabitng said that he wants the Leaders' statement (draft Busan Declaration) to be "balanced" by urging developing nations to move forward on market access but also urging developed nations to really open up their markets, particularly in the agriculture sector. He referred to the WTO statement as asking APEC for "ambition with respect to non-agricultural market access," which he believes has already been agreed upon by member countries. He does not see much progress in liberalizing agriculture markets, despite the U.S. offer, though the Philippines would like to see a breakthrough on market access. He said his guidance is to support the Swiss Formula, even though he and his GRP colleagues know that this will be difficult for some members. The delegation's instructions are to try to help these members look for solutions to overcome difficulties.

Avian Influenza

4. (U) The Philippines supports the APEC initiative on preparing for and mitigating an Avian Influenza (AI) pandemic and GRP is committed to take urgent measures to improve response and preparedness capabilities. The Philippines has a four-stage Avian Influenza Protection Program covering the prevention and control of AI outbreaks in poultry and humans. President Arroyo has emphasized the GRP's commitment to AI preparedness. She recently appointed Agriculture Secretary Domingo Panganiban as the "anti-Avian Flu Czar" to lead inter-agency efforts to prevent and control Highly Pathogenic Avian influenza (HPAI) outbreaks, and Mass Media Secretary Cerge Remonde to mount an all-out information

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drive to make the general public aware of the disease.

15. (U) Agriculture officials welcomed the regional cooperation and the need to closely collaborate among APEC members and international organizations to prepare for the AI threat and take decisive preventive action, including technical assistance. Kabigting also commented that the world has to join hands and the GRP is "happy to support" the APEC statement on that subject.

Energy

16. (U) The Philippines is eager to work within APEC to find ways to mitigate the high price of oil, a problem that the GRP has grappled with for many months to head off transportation strikes and street demonstrations. The Philippines imports 95% of its oil needs; the rise in crude oil costs over the last year has added two percentage points to inflation and reduced GDP growth. The country also has some of the most expensive electricity rates in Asia, a deterrent to investors, and those rates will increase further as oil prices rise. The GRP is looking for regional solutions to ensure greater energy security, stable prices, and reduced dependence on oil imports. The GRP declined a domestic oil stockpile but may push for a regional one, and may also pursue more domestic refining capacity.

17. (U) Although many of the items discussed at the APEC Energy Ministers meeting in October resonate with the Philippines, the Leaders' Statement encapsulates only a few of these. The GRP is already cooperating on energy investment, notably through the joint exploration of the Spratly Islands with Vietnam and China. It would also promote technology development for fuel additives such as bioethanol. The GRP has encouraged energy conservation and has diversified its energy use in power generation to include a healthy mix of renewables, coal, natural gas, and hydro. As Kabigting pointed out, the GRP supports the APEC positions outlined in the Leaders' Statement to address the high price of oil and reduce reliance on fossil fuels in general.

Comment

18. (SBU) The GRP generally supports the APEC Leaders' Statement and is not likely to present any surprises at the upcoming meetings. The Philippines does not have any specific issues to raise; the GRP is adopting a reactive strategy and will basically wait to see what other members bring to the discussion. The GRP is keen on increased regional cooperation, particularly in energy issues and avian influenza. Given the RP's reactive stance, they may be flexible and willing to support some of our interests.

19. (SBU) The GRP hopes to see progress on agricultural market access and will push for language that equally represents the needs of both developed and developing nations. While DTI indicates that the GRP is supportive of increased market access, they have not been supportive of developed country action on domestic support being tied to improved market access by developing countries. As a net food importing country, the GRP only has the market access pillar to negotiate on, and we anticipate that their "wait and see attitude" at APEC will be closely tied to the positions of some of the more protectionist members of the G-20/G-33. End Comment.

JONES